

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1098 – HB 1572**

March 24, 2021

**SUMMARY OF BILL:** Exempts from state and local sales tax the sale of wipes and diapers intended to be used or worn by infants and children.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact –**  
**\$9,781,800/FY21-22 and Subsequent Years**

**Decrease Local Revenue – Net Impact –**  
**\$3,991,700/FY21-22 and Subsequent Years**

Assumptions:

*General Assumptions:*

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- There are approximately 245,310 children in Tennessee three years of age or younger.

*Diaper Exemption:*

- Children in Tennessee are estimated to use an average of six diapers per day for a total of 537,228,900 diapers per year (245,310 children x 6 diapers x 365 days). These numbers are assumed to remain constant into perpetuity.
- The average cost per diaper is estimated to be \$0.20. Total annual taxable sales of diapers are estimated to be \$107,445,780 (537,228,900 x \$0.20).
- The recurring decrease in state sales tax revenue is estimated to be \$7,249,163  $[(\$107,445,780 \times 7.0\%) - (\$107,445,780 \times 7.0\% \times 3.617\%)]$ .
- The recurring decrease in local sales tax revenue is estimated to be \$2,958,186  $[(\$107,445,780 \times 2.5\%) + (\$107,445,780 \times 7.0\% \times 3.617\%)]$ .

*Wipes Exemption:*

- Children in Tennessee are estimated to use an average of 20 wipes per day for a total of 1,790,763,000 wipes per year (245,310 children x 20 wipes x 365 days). These numbers are assumed to remain constant into perpetuity.
- The average cost per wipe is estimated to be \$0.025. Total annual taxable sales of wipes are estimated to be \$44,769,075 (1,790,763,000 x \$0.025).

- The recurring decrease in state sales tax revenue is estimated to be \$3,020,484  $[(\$44,769,075 \times 7.0\%) - (\$44,769,075 \times 7.0\% \times 3.617\%)]$ .
- The recurring decrease in local sales tax revenue is estimated to be \$1,232,578  $[(\$44,769,075 \times 2.5\%) + (\$44,769,075 \times 7.0\% \times 3.617\%)]$ .

*Total Net Impact:*

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services, or \$7,230,206  $[(\$7,249,163 + \$2,958,186 + \$3,020,484 + \$1,232,578) \times 50\%]$ , will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$487,808  $[(\$7,230,206 \times 7.0\%) - (\$7,230,206 \times 7.0\% \times 3.617\%)]$ .
- The recurring increase in local sales tax collections is estimated to be \$199,061  $[(\$7,230,206 \times 2.5\%) + (\$7,230,206 \times 7.0\% \times 3.617\%)]$ .
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$9,781,839  $(\$7,249,163 + \$3,020,484 - \$487,808)$  in FY21-22 and subsequent years.
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$3,991,703  $(\$2,958,186 + \$1,232,578 - \$199,061)$  in FY21-22 and subsequent years.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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